

## GERMANY HEADING TOWARD BIG CRISIS TO INVOLVE WORLD

Low Price of Marks, Result of Cutthroat Export Sales, Hits Poor People.

### INDEMNITY A BIG DRAG

Strike of Waiters in Capital Seen as First Sign of the Collapse.

### HER FINANCES UNSOUND

Affluence and Poverty Appear in Striking Contrast in Berlin's Streets.

By SIR PHILIP GIBBS.

Special Cable to THE NEW YORK HERALD. Copyright, 1921, by THE NEW YORK HERALD. BERLIN, Oct. 22.—I am writing this article from Berlin, where a few months ago I met many prominent persons who gave their views on Germany's chances of paying the indemnities to the Allies and regaining her prosperity. It may be remembered that those views were fairly hopeful, and I was personally impressed with the marvellous energy, industry and organization of the German people and by the many signs of rapid recovery from the ruin of the war despite the low wages paid the working folk and the poverty in the small homes.

If Germany succeeded in paying the indemnities by an enormous increase in export trade it would be not only the greatest financial adventure ever attempted, but in so far as she succeeded in this she would destroy the world trade of Great Britain and the United States.

Since I wrote those words Germany has paid her first big indemnity sum and has steadily undersold British and American goods in the Argentine and the Scandinavian countries. The effect of this has been observed by the contrast between Berlin and London, Germany and England, to say nothing of the United States.

#### Contrast With London.

In London, from where I came to this city, there are unemployed processions, minor riots and a dreary sense of depression because of falling trade and the gradual falling back to a lower standard of life among all classes. Wealthy people are selling their estates and motor cars because of the high taxation, while capital is crippled, business enterprises are stagnant and factories are closing down or working half time.

In Berlin and other cities of Germany, so far as I can find out, there is feverish activity and little unemployment and a brisk, increasing business.

But the mark has dropped down to half its value from the time I was here before. Something is rotten in Germany's financial state, even though the Germans are capturing the world markets.

Loose minded visitors, seizing superficial impressions after a few days in Berlin, carry away a conviction that Germany is vastly prosperous in comparison with other European countries. Certainly many persons here are making quick and big profits. There is great wealth in paper money among speculators and commercial agents. Magnificent motor cars pass unceasingly down the Unter den Linden. There is no lack of paper capital for commercial enterprises of every kind.

#### Much Luxury and Wealth.

Looking into the shop windows and watching the people in the big hotels I am certain that there is a great deal of luxury and wealth in Berlin, due to the successful financial activity.

But I see the other side of the picture. I see a large number of men still wearing old field gray uniforms which have been converted into civil clothes after three years of peace. I see workmen who wear no shirts beneath their tunics. And I hear from many friends that the cost of living here is steadily mounting, while the value of the mark drops.

Why has Germany's mark dropped so low in spite of the booming trade? One reason is simple. To pay indemnities Germany has had to buy foreign money, and in so doing the exchange immediately rises against her. Another reason is that the increase in export trade at cutthroat prices is not sufficient to balance the increase in national expenditures.

Worst of all, in order to balance accounts Germany makes up the difference of speeding up the printing presses for new issues of paper money. Every time that is done the mark drops and the cost of living rises in proportion, because the money will not buy so much.

#### Indorses Plan to Pay French.

Last week I mentioned the new agreement between Germany and France by which a part of the indemnity will be paid by Germany not in money, but in material for recon-

structing northern France. That seemed to me, and it seems still, a good arrangement. Certainly it is good for France, because she will receive real wealth in solid things instead of money, which is only a symbol of real things.

This agreement will help make better relations between the two countries and so promote peace in Europe to some extent. But it will not tend, I find, to stabilize the value of the mark, for Germany will use her printing presses again to pay her own people for their labor and to pay manufacturers, with the inevitable consequence that a further depreciation in the mark will follow. This will mean trouble with the workers, who will find, as they are already finding, that their wages are worth less in purchasing power. They will demand more wages to keep pace with the rise in prices.

The first sign of this new crisis is seen by the strike of waiters throughout Berlin. It has been an extraordinary experience for a city which is more dependent on its hotels and restaurants than London or New York. With a few exceptions like the Hotel Adlon, which immediately agreed to the new scale of wages demanded by the waiters, all these places were closed and picketed.

I could not get a room in any hotel, and was billeted for a small boarding house, where I am charged eighty marks for a room. That is cheap for Berlin, but my landlord told me that before the war he charged only four marks for the same room. He explained to me with a great deal of detail regarding taxes and the cost of living that he was far better off when he charged four marks than now, when he charged eighty, and I believe him.

#### Germans' Moral Advantage.

At the same time the Germans have a great moral advantage over other people. Their defeat made every man among them expect a lower standard of living than before the war, whereas our victory made men expect a higher standard of living, which is impossible, owing to the loss of world wealth.

Again, the Germans lived the last year of the war in a state of hunger and privation, whereas the victor peoples lived well as long as the war lasted. So the Germans, comparing their present state, however much it pinches, with their war condition, find it far more tolerable.

It seems to me also that as a nation they get more enjoyment out of a meagre margin above the bare necessities of life than the English people do with a bigger margin. Their climate, gardens, cities, municipal theatres and opera houses enable them to get cheap pleasure. These things must be taken into account in the sum of life, but when that has been done my reckoning of Germany is that her financial state is thoroughly unsound, and before long she will face a desperate financial crisis.

There are ways in which she may partly avert this. One way is to increase the national revenue by an international loan and by taxation of the industrial profits of the big trusts. So far the State does not reap enough benefit from private wealth and the big industrials and export trade. Dr. Wirth, German Chancellor, is endeavoring to arrange this by forming a coalition of all the parties in the State, with the support of industrial magnates like Hugo Stinnes and August Thyssen, for a higher basis of taxation.

#### Export Duties Suggested.

Another method which Germany will be wise if she adopts is the imposition of export duties. Her underselling of all countries by the low value of the mark in foreign exchange will arouse a hostility of world traders and governments and will inevitably put up a barrier of traffic against her imports, in which case her commerce will be set back. Great Britain, for instance, is growing alarmed because German manufacturers are killing many of her markets. Germany needs the good will of the nations and cannot afford to risk a commercial boycott.

In any case, Germany will have an immense advantage over her commercial rivals, because her people are willing to endure a low wage standard and a low scale of living, whereas the British and Americans will struggle to preserve high wages until the general poverty of the world forces them back. There is a point, however, below which even German labor cannot exist, and that point has been reached.

Everywhere throughout Germany during the coming winter there will be a loud clamor by the workers for higher wages because of the falling mark and rising prices. All this prodigious activity and industry which one sees in Germany and all the apparent prosperity are based on the low, miserable condition of the working folk, on manipulation, on the Government printing presses inflating paper money, and on the export undercutting of other trades by a fictitious arithmetic.

It is not healthy nor real. If pursued on the same lines as now it will lead to disaster not only to Germany herself, but to all other countries.

#### LEAVES \$100,000 TO CHARITY.

HARTFORD, Oct. 22.—Relatives, friends and charitable institutions will receive the \$275,000 estate of John C. Webster, former vice-president of the Aetna Life Insurance Company, by the terms of the will filed to-day. The Charity Organization of this city will have \$10,000 and Kingfield, Me., bishopric of Mr. Webster, will have \$10,000 for a building for town purposes.

## ROTHSCHILD TO RAISE LOAN FOR GERMANY

Baron Anthony Confers With Berlin Bankers, Returning to London.

### COMING TO U. S. NEXT

Germans Hope to Obtain \$500,000,000 to Meet Repatriations in 1922.

### 35 YEAR TERM TO ISSUE

Money for Use in Germany, Avoiding Purchase of Foreign Exchange.

Special Cable to THE NEW YORK HERALD. Copyright, 1921, by THE NEW YORK HERALD. New York Herald Bureau, Berlin, Oct. 22.

The guiding hand in the negotiations in connection with Germany's repatriation loan in England and America may be Baron Anthony Rothschild of Rothschild & Co. of London, who left Berlin after a formal conference with the German Government and leaders in the German financial and industrial world. Baron Rothschild has returned to London with the intention of discussing the proposed German loan with the British Foreign Office, and if his views are supported in Downing Street he will leave London immediately for America to negotiate with financiers there.

Baron Rothschild's first conference in Berlin was held a few days ago in the offices of Mendelssohn & Co. and was attended by Chancellor Wirth, Dr. Friedrich Rosen, Foreign Minister Walter Rathenau, Minister of Reconstruction, Adolph Havenstein, president of the Reichsbank; Herr von Schwabach and others. The following day the consultation was continued informally at the Foreign Office, the same Ministers being present, together with Dr. Sörgel, representing the National League of German Industry; Hans Kraemer of the National Economic Parliament and others.

#### Loan for Long Term.

Care is being taken in informed circles not to mention the sums discussed as England's or America's eventual quota of the German loan, but THE NEW YORK HERALD correspondent here was given to understand that the figure Baron Rothschild suggested as Great Britain's possible share was satisfactory to the Germans.

One of the points discussed was the amortization of the loan. It was virtually settled that the loan should extend over twenty-five or thirty years, making the amortization at the rate of something above 3 per cent., which the Germans welcome. It is likely that the Germans will ask that they be free from paying amortization for the first two or three years.

Five hundred million dollars for repatriations will be needed the first year, of which \$100,000,000 will be needed on January 15 and a second \$100,000,000 in April, and the Germans believe that there are prospects of the loan negotiations getting under way promptly to raise these sums before they fall due.

In so far as they are concerned they get no economic gain from the loan save that it will free the Government from buying foreign exchange in the open market. The money loaned to Germany would be automatically transferred to the repatriation account and, as such, would not be spent in Germany. Baron Rothschild was said to have expressed satisfaction with the plan itself.

Further progress has been made in developing the loan plans for Germany. The repatriation committee of the National Economic Parliament accepted with only one dissenting vote the proposed law for the establishment of a producers' loan society. A full session of the parliament is to debate the proposed measure.

It was said that Hugo Stinnes, German industrial leader, in a party caucus spoke of the Volkspartei (German People's party) entering a coalition with Dr. Wirth as Chancellor or with the Socialists as colleagues and also expressed doubts about the credit plan. Even since the plan was broached the German steel "king" has been known to favor it only under certain conditions, one being that the Volkspartei be in the Government and another that a satisfactory control be exercised by the Government over the use of the money raised. The law as now formulated provides for the exclusive use of the money borrowed to meet repatriation payments.

#### Socialist Support Expected.

That the Majority Socialists will support the loan was indicated in the favorable comment recently by Vorwärts, Majority Socialist organ, proposing that labor should not obstruct the measure. The Socialist theory for meeting the repatriation, however, is that the Government should tax gold values but the measure with this in view introduced in the National Economic Parliament was promptly shelved on behalf of the greatly modified substitute. This indicates that the opposition to the Socialist solution of the problem will be formidable.

Business leaders here are disturbed by messages from America that the press there is filled with sensational reports that Germany is on the eve of bankruptcy. Secretary Schroeder of the Finance Ministry made a vigorous representation before members of the Guarantee Commission recently and showed how Germany would be crippled if she lost the revenue now derived from industries in Upper Silesia in territory now ceded by the council of the League of Nations to Poland.

The Finance Ministry decries that there is a possibility of a declaration of bankruptcy by Germany or of a German collapse, and indicates that the industrial loan may go through even if the Volkspartei remains out of the coalition and in the face of the Upper Silesian partition. They say that one condition is essential—that the economic unity of the industrial triangle be preserved for fifteen years, and they believe this is only possible if it is enforced by the Allies and is not left for Germany and Poland to negotiate.

There were great fluctuations in quotations on foreign currencies yesterday, the dollar varying between 145 and 165 within a few hours. One reason for the rise in the value of the mark since Monday was the announcement by the Reichsbank that it was not in the market for more foreign exchange, but had enough to meet its clearing house obligations of \$2,000,000 a month.

PARIS

## Best & Co.

LONDON

Fifth Avenue at 35th Street—N.Y.

Announce, Beginning Monday—for the Week

## An IMPORTANT COAT EVENT For WOMEN · MISSES · GIRLS · CHILDREN

Women's and Misses' Fur Trimmed Coats  
Girls' and Junior's Plain and Fur Trimmed Coats  
Children's Fur Trimmed Coats

### AT THE SEASON'S LOWEST PRICES

It isn't mere happenchance that so many discriminating women attend a Best & Co. sale. It's judgment. The quality of our merchandise hasn't varied from a standard of excellence in forty-two years.

48.00

Women's—Loose back, belted or wrappy coats with shawl and convertible collars of Nutria, Australian opossum, Scotch mole and taupe wolf, some with collar and cuffs of fox or beaverette. In normandy, bolivia or velvura.

64.00

Women's—Semi-fitted, loose back and belted coats with set-in or raglan sleeves. With collars of squirrel or beaver, others collar and cuffs of taupe wolf nutria or mole. In normandy, bolivia, valvura.

84.00

Women's—Belted or loose back coats and wraps, with shawl collars, or convertible collar and cuffs of Scotch mole, Australian, opossum and nutria or with beaver collars. In Pannelaine, bolivia, or normandy.

25.00

Girls'—Practical coats of all-wool polo mixtures with large shawl collars of natural racoon, convenient pockets, and wide belt. Sizes 8 to 12 years. Lined throughout and interlined.

49.50

Junior Misses'—Cordona, a soft all wool fabric, or fine wool mixtures are used for these silk lined coats that have large shawl collars, of natural racoon or opossum. Sizes 13, 15 and 17 years.

69.00

Junior Misses'—Verona, a new material in dressy coats. They are silk stitched at the bottom, have wide sleeves, and large collars of genuine beaver or gray squirrel. Sizes 13, 15 and 17 years.



39.00

Misses'—Blouse coats; loose back, and belted models, with convertible collars of Scotch mole, Australian opossum or beaverette. Soft, all wool pile fabrics, bolivia, and raderian cloth. Silk lined throughout and interlined.

64.00

Misses'—Loose back, belted and blouse back coats, some with the new wide sleeve. In normandy, bolivia, or pannelaine with huge collars of taupe wolf, squirrel or beaver, or collar and cuffs of taupe wolf, opossum, or scotch mole.

78.00

Misses'—Luxurious coats and wraps in deep pile fabrics, hand-tailored. Some with large collars of beaver and squirrel, other with Australian opossum collar and cuffs. Normandy, sphinx and bolivia.

10.75

Little Children's—Double breasted chinchilla coats suitable for boys or girls. Belt and fur collar. Flannel lined. Also fine velour or heather mixtures with opossum collar. Chinchilla hats 3.25.

13.50

Little Children's—Fine bolivia and broadcloth coats in new shades. Double breasted models that flare becomingly, with trimming of nutria or beaver. Sizes 6 mts. to 3 yrs. Hat to match, 5.95.

13.50

Little Girls'—Tan camel's polo coats in sport styles like big sister's. Soft, light and warm, buttoning high to the neck, lined throughout and interlined, and belted all round. Sizes 4, 5 and 6 years.

19.50

Little Girls'—Bolivia or polo mixtures are used for these smart little coats, that have generous collars of opossum for warmth and style. Lined throughout and interlined. Sizes 4, 5 and 6 years.

Women's and Misses' Coats, Silk lined and interlined